LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7404
BILL NUMBER: HB 1662

NOTE PREPARED: Jan 26, 2005
BILL AMENDED: Jan 25, 2005

SUBJECT: Medicaid Health Facility Quality Assessment.

FIRST AUTHOR: Rep. Frizzell
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that if a health facility fails to pay the quality assessment to the Department of State Revenue or a nursing facility fails to pay the quality assessment to the Office of Medicaid Policy and Planning, the State Department of Health must notify the facility and revoke the facility's license. The bill requires a health facility to pay interest on late payments.

Effective Date: July 1, 2003 (retroactive).

Explanation of State Revenues: (Revised) This bill adds license revocation by the State Department of Health as a penalty for failure of a nursing facility to pay a quality assessment to OMPP, or a health facility to pay a quality assessment to the Department of State Revenue. This potential action should increase the likelihood of compliance with the quality assessment provisions of P.L. 78-2004.

P.L. 78-2004, a noncode provision providing for a nursing facility quality assessment and which expires August 1, 2005, is anticipated to generate $223.7 M in total assessments over a two-year period; 80% (or $179.0 M) to be used for additional retroactive expenditures for nursing facility reimbursement, and 20% (or $44.7 M) to be available to the state to match federal Medicaid funds for purposes determined by OMPP. The implementation and receipt of the revenue is dependent upon the date of approval by the Centers for Medicare and Medicaid Services (CMS). This bill extends the effective date of the Quality Assessment implementation and enforcement provisions to August 1, 2009. There is no definitive date with regard to the expiration of the State Medicaid Plan amendment that implements the assessment.

Background Information on the Nursing Facility Quality Assessment: The quality assessment is estimated

to generate $111.8 M in total assessments annually. The current retroactive assessment proposal is estimated to generate $223.7 over the initial two-year period, although it is not yet approved by CMS. The Quality Assessment is structured as shown below:

Assessment Group	Number of Providers	Medicaid Utilization	Medicaid Days	Private Pay/ Other Days
$10.45 per non-Medicare day if total revenues are > $750,000 and < $9 M	403	69.6%	7,919,730	2,349,049
$2.50 per non-Medicare day if total revenues are > $9 M or Gov't-owned providers	40	65.04%	1,352,708	404,601
$1.50 per non-Medicare day for non-Medicaid-certified providers and if total revenues are > $750,000	7	0.00%	0	94,348
$0 per non-Medicare day if total revenues are < $750,000	3	29.04%	5,711	6,889
$0 per non-Medicare day if provider is CCRC	37	34.76%	529,338	619,288
$0 per non-Medicare day if provider is hospital-based	34	2.69%	14,941	34,949
$0 per non-Medicare day if provider is state-owned (Indiana Veterans' Home)	1	0.00%	0	106,915

Current statute requires OMPP to submit a State Plan amendment and requests for waivers necessary to implement a nursing facility quality assessment to CMS. A state is allowed to assess a health care-related tax, so long as the assessment is broad-based and uniformly imposed throughout a jurisdiction or provider group. The fee is to be based on a nursing facility's total annual revenue less any Medicare revenue received, and statute specifies that the quality assessment may not be passed through to the facility's residents. Quality assessments are to be collected from nursing facilities with a Medicaid utilization rate of at least 25% and at least $700,000 in annual Medicaid revenue. Statute further specifies that the money collected from the quality assessment may be used only to pay the state's share of Medicaid program costs.

By current statute, 80% of the fee revenue is to be used for nursing facility reimbursement, and the expenditure of the remaining 20% may be determined by OMPP. The quality assessment may only be collected if federal financial participation is available to match enhanced reimbursement for nursing facilities. The total quality assessment is estimated to generate $223.7 M for the first two years it is to be effective: 80% of the quality assessment, or $179.0 M, will be used for additional expenditures for nursing facility reimbursement; $44.7 M is the estimated amount that will be available to the state to match federal funds that would otherwise be subject to reductions that have not been determined at this time.

OMPP has submitted the state plan amendments and all associated applications to implement the quality assessment. However, CMS has not yet approved the application.

Explanation of Local Expenditures: See *Explanation of State Revenues*, above, as it relates to municipally

owned or county-owned nursing facilities or health facilities.

Explanation of Local Revenues:

State Agencies Affected: OMPP, Department of State Revenue, State Department of Health.

Local Agencies Affected: Municipally owned or county-owned nursing facilities or health facilities.

Information Sources:

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